

**June 20, 2006**

**SUBJECT:** Approval to Issue SMaRT Station® Operations Request for Proposal--ADDENDUM

**REPORT IN BRIEF**

This addendum provides updated information on the wage and financial impacts of the various alternatives presented by staff in RTC 06-216 regarding the SMaRT Station Operations Request for Proposal. The updated numbers, generated by staff work on the current contract, significantly change the comparisons of the current contract's wages and costs vs. the wages and costs of the various options being considered by Council. Previous analysis of the current contract costs had been based on unverified statements made by representatives of GreenTeam/Zanker.

At the same time that the City is preparing the Request for Proposals (RFP) for the contract term 2008-2014, staff is also working on enforcing the prevailing wage provision of the current contract with GreenTeam/Zanker (GT/Z). On June 9, 2006, in response to the City's request for evidence that the contractor is in compliance with the prevailing wage provision, GT/Z provided staff with a packet of information on payroll hours, employee job titles and benefits costs.

Staff review of this information was largely completed on June 19, 2006. the most significant finding was that the current value of the health insurance provided to the GreenTeam/Zanker sorters is less than that stated by Todd Storti, General Manager of GT/Z. Mr. Storti has stated several times, including at the public hearing on May 23, 2006, that the health insurance has a value of \$4.92 per hour. However, staff analysis of the source documents shows that it has a value of just \$1.95 per hour. Thus, the full compensation (pay + benefits) currently received by sorters is \$9.95 per hour, not the \$12.92 described previously. Both, of course, fall short of the \$14.93 per hour prevailing wage required by the current contract.

In the context of the Council's discussion of the Request for Proposals, this means that there is a significantly larger difference between the current SMaRT Station wage costs and the various prevailing wage alternatives presented in RTC 06-216. For example, under the staff-recommended Alternative 2, the new contractor will be required to pay sorter wages that are at least 63% higher than at present, not the 25% increase discussed in the RTC. The associated refuse collection rate increase will be 7.2%, not 6.6% as previously stated.

The timing of this newly received information did not allow it to be reflected in the main RTC. Included in this addendum are revised Tables 1 and 2 that show the updated impacts of the various alternatives. The Alternatives and Recommendation sections are also repeated here with the correct, updated information. Council should rely on this addendum as the source for these key figures as it discusses this matter.

**TABLE 1**

<b>Alternative</b>	<b>Total Wages as of 2007</b>	<b>Initial Increase in Wages, Total Work Force</b>	<b>Initial Annual Cost Increase</b>	<b>Initial Sunnyvale Share (49%)</b>	<b>Rate Increase due to Wage Increase Only</b>	<b>Total Refuse Rate Increase (including planned 5.5%)</b>	<b>Cost to SMaRT City Ratepayers over Contract 7-Year Term</b>
Current Wages/Benefits	\$3,846,000	---	---	---	---	---	<b>\$26.9 million (currently planned)</b>
1. Draft RFP—DIR determination, 2004 wage levels	\$4,474,000	16%	\$628,000	\$308,000	1.1%	<b>6.6%</b>	<b>\$31.3 million</b>
2. (Recommended) DIR determination brought forward to 2007 by CPI, annual CPI raises	\$4,851,000	26%*	\$1,005,000	\$492,000	1.7%	<b>7.2%</b>	<b>\$38.3 million</b>
3. GT/Z –Teamsters Proposal – Norcal San Jose labor agreement	\$6,957,000	84%	\$3,111,000	\$1,524,000	5.4%	<b>10.9%</b>	<b>\$61.9 million</b>

\* Total initial increase in wages + benefits totaling all workers, all positions. Initial increase for sorters is 63%, as shown on Table 2.

Table 1 shows the increase in wages compared to the current wage cost and the increases in Sunnyvale refuse collection rates that are likely to result from each alternative compared to the recently adopted rates for FY 2006/07.

Table 2 shows the effects of the various options on the sorters, the bargaining unit most often discussed.

**TABLE 2**  
2007 (Year One) Sorter Wages

<b>Alternative</b>	Cash Wage (hourly)	Value of Benefits (hourly)	Total Sorter Wages (hourly)	Percent Increase
Current Wages/Benefits	\$8.00	\$1.95	\$9.95/hr	---
1. Draft RFP (DIR determination, 2004 levels)	\$8.00	\$6.93	\$14.93	<b>50%</b>
2. DIR determination brought forward to 2007 by CPI	\$8.68	\$7.52	\$16.20	<b>63%</b>
3. GT/Z -Teamsters Proposal	\$15.80	\$9.71	\$25.51	<b>156%</b>

### **ALTERNATIVES**

After getting direction from Council on May 23, staff has modified Alternative 2 presented on that date and also shows it as Alternative 2 in today's RTC. Alternative 2 provides the sorters with a minimum wage rate for the first year of the contract that is 63% more than they earn at present. Each subsequent year of the contract they, and all non-management workers, would receive a raise equal to the change in the CPI. In analyzing the cost of all alternatives, the CPI is assumed to increase by 3% per year. Alternative 2 has also been clarified to show worker retention language that protects established employees from arbitrary dismissal by a new operator, while also allowing the contractor the tools necessary to manage the workforce in a way that protects the safety of the public and the other workers at the facility.

**Alternative 1** – Direct staff to issue the RFP for SMaRT Station Operations, using the wage language in the original draft RFP (which uses the DIR determination and 2004 wages) that would result in a 50% raise in sorter

wages, an estimated refuse rate increase in April 2007 of 6.6% (\$308,000 due to Sunnyvale's 49% share of higher wages) and a minimum of \$31.3 million in wage cost over seven years.

**Alternative 2** - (as clarified in this report to reflect direction given by Council on May 23) – Direct staff to issue the RFP for SMaRT Station Operations, using the following approach to prevailing wages that would result in a 63% raise in sorter wages and a total refuse rate increase in April 2007 of 7.2% (\$492,000 due to Sunnyvale's 49% share of higher wages) and a minimum of \$38.3 million in wage cost over seven years:

- Inflate DIR prevailing wages by CPI for three years to bring them to 2007 levels and make these new wages the "SMaRT Station wages"
- Require that all non-management job classifications receive a CPI wage increase during each year of the contract
- Any subsequent determination issued by DIR would not affect the "SMaRT Station wages" during this contract but could be used to set wages for the next contract in 2014
- Include Worker Retention language as drafted by the City Attorney

**Alternative 3** – Direct staff to issue the RFP for SMaRT Station Operations, using the following approach to prevailing wages that would result in a 156% raise in sorter wages and a total refuse rate increase in April 2007 of 10.9% (\$1,524,000 due to Sunnyvale's 49% share of higher wages) and a minimum of \$61.9 million in wage cost over seven years:

- Use prevailing wage language drafted by Teamsters and GT/Z, which would effectively require payment of the wages in the Teamsters-Norcal agreement for the new San Jose refuse collection contract (or other, higher, wages agreed to between the contractor and the Teamsters)
- Use worker retention language drafted by Teamsters and GT/Z

**Alternative 4** – Other action as directed by Council.

## **RECOMMENDATION**

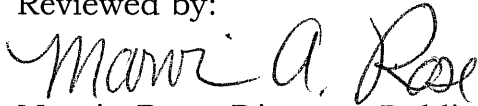
Staff recommends Alternative 2 (as it has been clarified to reflect direction given by Council on May 23, 2006): Direct staff to issue the RFP for SMaRT Station Operations, using the following approach to prevailing wages that would result in a 63% raise in sorter wages and a total refuse rate increase in April 2007 of 7.2% (\$492,000 due to Sunnyvale's 49% share of higher wages) and a minimum of \$38.3 million in wage cost over seven years:

- Inflate DIR prevailing wages by CPI for three years to bring them to 2007 levels and make these new wages the "SMaRT Station wages"

- Require that all non-management job classifications receive a CPI wage increase during each year of the contract
- Any subsequent determination issued by DIR would not affect the "SMaRT Station wages" during this contract but could be used to set wages for the next contract in 2014

Include Worker Retention language as drafted by the City Attorney.

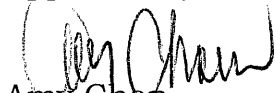
Reviewed by:



Marvin Rose, Director, Public Works

Prepared by: Mark Bowers, Solid Waste Program Manager

Approved by:



Amy Chan

City Manager